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**THE UNITED STATES, NEW ZEALAND AND CANADA AGREE ON SCHEDULE FOR
CANADIAN COMPLIANCE WITH EXPORT SUBSIDY COMMITMENTS**

The Office of the United States Trade Representative today announced that the United States and New Zealand have agreed to Canada's proposal for implementation of its WTO commitments pursuant to the dispute settlement decision regarding dairy products.

United States Trade Representative Charlene Barshefsky praised the agreement: "With Canada's agreement to immediately reduce the volume of subsidized dairy exports, American dairy farmers will benefit. The WTO process will thus result in meaningful commercial benefits for U.S. interests. This reaffirms the importance of a rules-based system."

Through this agreement, Canada will implement the recent WTO dispute settlement panel and appellate body decisions regarding export subsidies on dairy products. Specifically, the United States, Canada and New Zealand have established a transparent step-by-step schedule for Canada to reduce its subsidized exports of dairy products. Under the agreement, Canada will comply immediately with its WTO export subsidy commitments on butter, skimmed milk powder, and an array of other dairy products. In addition, Canada has committed to reduce substantially the amount of subsidized milk made available to cheese producers during the remainder of this marketing year (ending July 30, 2000) and to cease issuing permits for such milk on March 31, 2000. Beginning in the 2000-2001 marketing year, Canada will not be able to export more than 9076 tons of subsidized cheese, which is less than half of the volume exported in recent years.

Background

On October 27, 1999, the WTO Dispute Settlement Body adopted appellate body and panel reports finding that Canada provides export subsidies on dairy product shipments in a manner inconsistent with its obligations under the WTO Agreement on Agriculture. Canada also was found to be violating its WTO commitments regarding the operation of a tariff-rate quota for imported milk. Canada agreed to implementation of the Dispute Settlement Body's recommendations at the October 27 meeting of the Dispute Settlement Body.

